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STATE FOR NEA/ELA; NSC FOR SINGH/GAVITO

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETRD](#) [PGOV](#) [SY](#)
SUBJECT: LABOR DAY WEEKEND, SYRIAN STYLE: DIESEL UP 357
PERCENT, SALARIES UP 25 PERCENT

REF: A. DAMASCUS 240
[1](#)B. DAMASCUS 234
[1](#)C. DAMASCUS 209
[1](#)D. DAMASCUS 132
[1](#)E. DAMASCUS 73
[1](#)F. DAMASCUS 949

Classified By: A/DCM Todd Holmstrom for reasons 1.4 (b/d)

SUMMARY

[1](#)1. (SBU) In keeping with regime tradition, the SARG chose a holiday weekend to announce major changes in economic policy. In the middle of the three-day Labor Day weekend, the SARG increased the price of diesel fuel and butane gas by 357 percent and 72 percent, respectively. On the same day, President Asad issued a decree authorizing a 25 percent salary increase for all public sector employees and retirees. With this, his fifth such decree, Asad has doubled public sector salaries since assuming office in 2000. Public reaction has been muted, so far, although many Syrians quietly fear that higher commodity prices will outpace their raise. End summary.

DIESEL UP 357 PERCENT, BUTANE 72 PERCENT

[1](#)2. (SBU) At midnight on Friday, May 2, the SARG raised the official price of one liter of diesel fuel (mazout) at the pump from 7 SYP (USD 0.15) to 25 SYP (USD 0.55), an increase of 357 percent. The last change in Syrian diesel prices occurred in May 2002, when the price increased from 6 to 7 SYP/liter (7.4 SYP for home delivery). Additionally, the SARG officially set the discounted price for diesel at 9 SYP (USD 0.20)/liter when purchased with the recently-issued ration cards (ref A), even though country-wide distribution of the ration cards remains incomplete.

[1](#)3. (SBU) Concurrently, the SARG also increased the price of one bottle (eight liters) of butane gas, the primary cooking fuel in Syria, by 72 percent from 145 SYP (USD 3.19) to 250 SYP (USD 5.49). As butane is generally distributed via

delivery service, Syrians tell Post that the actual price per bottle will be closer to 300-350 SYP (USD 6.60-7.70) once "service charges" are incorporated. Post estimates that the average Syrian household consumes one bottle of butane gas per month.

25 PERCENT RAISE TO SOFTEN THE BLOW

¶4. (SBU) The overnight fuel price increases were first reported by Syrian TV news early on the morning of May 3. By late morning, the lead story had shifted to the announcement of President Asad's Decree No. 24 to increase public sector salaries by 25 percent, effective May 1. According to SANA, this is the fifth public sector raise since Bashar assumed office in 2000. Speaking to SANA, Finance Minister Muhammad al-Hussein touted that decrees as "part of the government's effort to improve incomes," and said the raise will cost the SARG 58 billion SYP (USD 1.26 billion). According to Hussein, the pay raise will effect two million civilian and military employees and pensioners, approximately 11 percent of Syria's population of 18.5 million and an estimated 35 percent of the Syrian workforce. Deputy Minister of Economy and Trade Ghassan al-Eid and Chairman of the Federation of Syrian Chambers of Commerce Rateb al-Shallah both issued statements to SANA praising the pay raise as a proactive step in decreasing the gap between consumer prices and salaries.

EARLY REACTIONS

¶5. (C) One early reaction to the diesel increase was an apparently spontaneous, unorganized, strike by several microbus drivers on May 3. The primary source of public transportation in Syria, many of the privately-operated 12-15 passenger vans could be seen parked along the side of roads leading out of Damascus. Those drivers who continued to operate increased their fares five-fold from 5 SYP (USD 0.11) to 25 SYP (USD 0.55) per ride. Embassy contacts characterized the unofficial walkout as unprecedented, and it was back-page news in the May 4 pan-Arab daily Al Hayat. As of May 4, microbus traffic had returned to normal, with prices evidently standardized through unofficial SARG intervention at 10 SYP (USD 0.22). Anecdotal reports suggest that some government-owned gas station operators capitalized on the midnight implementation of the price hike to generate extra income by arbitrarily increasing the price of gasoline (benzene) from 40 to 50 SYP/liter before the official SARG announcement was issued at mid-day on May 3.

COMMENT

¶6. (C) After two years of debate over fuel subsidies (ref F), the SARG is finally implementing the politically unpopular, but economically necessary reform. However, the new diesel price of 25 SYP/liter is still over 50 percent less than the global market price. As the diesel ration cards are valid for only one year, Post believes that this increase is likely a half-measure to give the public some adjustment time before the eventual introduction of market-priced fuel. An unscientific sampling of Embassy contacts suggests Syrians are skeptical that the pay raise will keep pace with inflation. We note the conspicuous absence in press coverage of these events of Deputy Prime Minister for Economic Affairs Abdullah Dardari and Prime Minister Naji Otri, who featured prominently in previous public discourse about the subsidy issue.
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